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September 8, 2006

VIA ELECTRONIC FILING AND OVERNIGHT DELIVERY

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 06-36

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), are Bay State's responses to the following Information Requests:

DTE 3-3 DTE 3-5 DTE 3-6 DTE 3-8

Please do not hesitate to contact me if you have any questions.

Very truly yours,

Patricia M. French

cc: Julie Howley Westwater, Esq., Hearing Officer
Jamie M. Tosches, Esq., Office of the Attorney General
Service List (Electronic Service per the Ground Rules)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE D.T.E.
D.T.E. 06-36

Date: September 8, 2006

Responsible: Joseph A. Ferro, Manager Regulatory Policy

DTE 3-3: Refer to the Company's response to DTE 1-4. Provide a representative example of the mechanics of how penalty dollars are credited to firm sales customers through the application of the Cost of Gas Adjustment Clause ("CGAC") proceeding. Provide the actual paperwork for the example, highlighting the crediting of penalty dollars.

RESPONSE: Attachment DTE 3-3 is a copy of Section 5, Form III, Schedule 4 of the Company's Reconciliation filing of the 2004-05 Peak Period, which was filed with its 2005-06 Peak Period CGA. Line No. 8 of this schedule shows the Imbalance Penalties being credited to the Cost of Gas throughout the Peak Period on November 2004 through April 2005. The Company is working on compiling the actual paper work for one month in the 2004–05 Peak Period, as an example, that will show the support of the imbalance penalties charged suppliers and the inclusion of these revenues as credit to the CGA demand costs included in the CGA Reconciliation filing.

The Company will file a supplemental response once it compiles such actual paperwork illustrating the crediting of penalty dollars to firm sales customers through the application of the CGAC.

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DTE 3-5: Provide a cost estimate for real time metering for Bay State's 22 largest grandfathered customers. Confirm Mr. Ferro's testimony that indicates that these 22 customers represent 30 percent of Bay State's total grandfathered MDQs.

RESPONSE: The cost estimate for real-time metering is approximately $12,500 for each customer or a total of approximately $275,000 for the 22 largest grandfathered customers. This cost is imbedded in the estimate provided on page 5 of Mr. Ferro's testimony.

Mr. Ferro wishes to correct his testimony, where he states on page 12 of his testimony that the thirty percent of the design day load of Grandfathered customers, or 17,654 Dth, would cover performance failures by the 22 largest Grandfathered customers. The calculation of MDQ for this group of customers behind Mr. Ferro's statement inadvertently included an aggregate MDQ of a supplier's pool, raising this MDQ subtotal to 30 percent of the total Grandfathered MDQ. Thus, this 30 percent essentially is associated with the largest 22 customers, plus a certain pool aggregation MDQ.

Attachment DTE 3-5 shows that the correct number of customers that make up 30 percent of the total grandfathered MDQs is 36 customers. Their associated MDQs total 17,719 Dth, or 30.1 percent of the total grandfathered MDQs. Attachment DTE 3-5 also shows that the largest 22 customers represent 24.2% of total grandfathered design day load.

Attachment DTE 3-5

Bay State Gas Company

Percent of Grandfathered MDQ of Largest Customers

Customer	MDQ (Dth)	Cumulative MDQ	Percent of GF MDQ of 58,846	Tot GF MDQ
1	3,488.7	3,488.7	5.9%	
2	2,256.7	5,745.4	9.8%	
3	1,190.1	6,935.5	11.8%	
4	748.3	7,683.8	13.1%	
5	567.1	8,250.9	14.0%	
6	498.2	8,749.1	14.9%	
7	427.4	9,176.5	15.6%	
8	418.7	9,595.2	16.3%	
9	376.6	9,971.8	16.9%	
10	361.9	10,333.7	17.6%	
11	359.0	10,692.6	18.2%	
12	355.0	11,047.7	18.8%	
13	354.5	11,402.1	19.4%	
14	345.0	11,747.1	20.0%	
15	344.0	12,091.0	20.5%	
16	338.6	12,429.6	21.1%	
17	314.1	12,743.8	21.7%	
18	313.8	13,057.6	22.2%	
19	313.2	13,370.7	22.7%	
20	312.0	13,682.7	23.3%	
21	309.7	13,992.4	23.8%	
22	274.6	14,267.0	**24.2%**	
23	269.3	14,536.3	24.7%	
24	266.2	14,802.5	25.2%	
25	264.4	15,066.9	25.6%	
26	256.5	15,323.4	26.0%	
27	256.3	15,579.7	26.5%	
28	251.2	15,830.9	26.9%	
29	245.3	16,076.2	27.3%	
30	242.9	16,319.1	27.7%	
31	241.3	16,560.5	28.1%	
32	239.9	16,800.4	28.5%	
33	232.9	17,033.3	28.9%	
34	231.7	17,265.0	29.3%	
35	228.8	17,493.8	29.7%	
36	225.0	17,718.8	**30.1%**	

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Date: September 8, 2006

Responsible: Joseph A. Ferro, Manager Regulatory Policy and
Francisco C. DaFonte, Director, Energy Supply Services

DTE 3-6: Could Bay State modify its Terms and Conditions to implement curtailment prior to intraday nomination deadlines on critical days? Has the Company evaluated this option? Explain why or why not.

RESPONSE: In order to accommodate a system whereby Bay State had the ability to shut-off customers prior to intraday nomination deadlines, Bay State would be required to modify its tariff to provide for the following:

1. changes to the Terms and Conditions and a new service agreement with suppliers that provide Bay State with the ability to remotely shutoff customers at its sole discretion and without notice in the event that overtakes were projected to occur based on customer flow rates and nominations prior to any intraday pipeline confirmed nominations. The new service agreement, along with the revised Terms and Conditions, would need to hold Bay State harmless for its service to suppliers and customers for interruptions that occurred;
2. revised nomination protocols that require suppliers to nominate volumes for Grandfathered customers on a customer-specific basis or pursuant to a predetermined allocation;
3. new balancing protocols that would allow Bay State to calculate customer-specific imbalances within the current Gas Day by comparing consumption from the beginning of the Gas Day to an allocation of the nomination received for the customers across individual hours;
4. additional and more complex pool administration requirements for Bay State to track customer-specific nominations and gas usage across individual hours, as well as execute remote customer shutoffs as deemed appropriate; and
5. incremental charges to recover the costs of remote shutoff equipment necessary to implement a system whereby customers could be shutoff.

The Company does not believe that the implementation of a system based on shutting off customers prior to the intraday nominations is viable. Such a system imposes additional limitations on the operational

tools that the gas industry has developed to operate in a cost-efficient manner. Moreover, the customer concerns described in Bay State's responses to D.T.E. 1-20 and D.T.E. 1-21 are magnified under such a program. By virtue of the fact that shutoffs could occur based on limiting supplier rights to cure shortfalls after initial nominations are confirmed by the pipelines, implementation of such an approach would lead to undesirable and unorthodox interruption of service. Bay State believes that, with shutoff provisions and stricter operational requirements, the majority of Grandfathered customers, including all essential needs customers, would not agree to continue taking grandfathered transportation service under the modified terms and conditions that would be required.

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Date: September 8, 2006

Responsible: Joseph A. Ferro, Manager Regulatory Policy

DTE 3-8: Calculate the Customer Reliability Charge assuming a reserve of: (a) ten percent, (b) one percent, and (c) the calculation amount from DTE 3-7, above. In addition for each of these three amounts, calculate the Charge assuming the Charge is spread over all customers, not just grandfathered customers. Indicate whether Bay State would agree that the proceeding would have to be re-noticed if the Charge were to be assessed on all customers, not just grandfathered.

RESPONSE: See Attachment DTE 3-8(a), DTE 3-8(b) and DTE 3-8(c) for the calculations of the Capacity Exempt Customer Reliability Charge under the requested reserve percentage assumptions, and within each reserve assumption a CECRC applicable to grandfathered customers, only, and all firm customers.

Please note that under the Company's proposed CECRC at a Reliability Cost factor of 30%, 100% of Capacity Release and Off-system Sales margins are credited at the ratio of Capacity Exempt design day to total system design day. Under these various requested assumptions the CECRC calculations reflect the allocation of the Capacity Release and Off-system Sales Credit at the Capacity Exempt to total system design day, adjusted by the ratio of the requested lower reserve percentage to 30%. Without this adjustment, the allocated credit would be disproportionate to the Reliability Costs.

Notwithstanding that Mr. Ferro is not a lawyer, he will indicate on behalf of Bay State that it is Bay State's view that the initial notice in this proceeding was sufficient to notify customers that a proceeding was pending that may affect the rates and charges of transporting or firm customers. The initial notice, which was published in at least one newspaper of general circulation, indicated that grandfathered customers may be responsible for the reliability charge under Bay State's proposal, which means that the capacity costs of all other customers may be initially reduced by an equivalent amount. In determining whether Bay State's proposal is in the public interest, the Department may determine that an alternative rate design is appropriate. The initial notice was sufficient for interested parties to determine the nature of the proceeding and to appear if they so chose. A rate design change does not require re-noticing of the proceeding, in Bay State's view.

Attachment DTE 3-8(a)

At a 10% Reserve Factor

Capacity Exempt Customer Reliability Charge
Example Calculation

Row	Description		Amount		Calculation
(1)	Capacity Exempt Customer Peak Day		58,846	Dth	
(2)	Average Annual Unit Capacity Cost		131.81	per Dth	
(3)	Factor		10%		
(4)	Reliability Costs	$	775,649		(1) x (2) x (3)
(5)	Capacity Release / OSS Margin Revenues	$	(6,407,187)		
(6)	Total System Design Day		504,151	Dth	
(7)	Capacity Release / OSS Credit	$	(249,289)		(5) x ((1) / (6) x (3) / 30%
(8)	Prior Period Under / (Over) Recovery	$	-		
(9)	Total CECRC Allowable Costs for Period	$	526,361		(4) + (7) + (8)
(10)	Capacity Exempt Customer Throughput (Therms)		86,722,280		
(11)	Total Firm Customer Throughput (Therms)		473,883,120		
	CECRC Charge per therm:				
(12)	To Capacity Exempt Customers	**$**	**0.0061**		(9) / (10)
(13)	To All Firm Customers	**$**	**0.0011**		(9) / (11)

Attachment DTE 3-8(b)

At a 1% Reserve Factor

Capacity Exempt Customer Reliability Charge
Example Calculation

Row	Description		Amount		Calculation
(1)	Capacity Exempt Customer Peak Day		58,846	Dth	
(2)	Average Annual Unit Capacity Cost		131.81	per Dth	
(3)	Factor		1%		
(4)	Reliability Costs	$	77,565		(1) x (2) x (3)
(5)	Capacity Release / OSS Margin Revenues	$	(6,407,187)		
(6)	Total System Design Day		504,151	Dth	
(7)	Capacity Release / OSS Credit	$	(24,929)		(5) x ((1) / (6) x (3) / 30%
(8)	Prior Period Under / (Over) Recovery	$	-		
(9)	Total CECRC Allowable Costs for Period	$	52,636		(4) + (7) + (8)
(10)	Capacity Exempt Customer Throughput (Therms)		86,722,280		
(11)	Total Firm Customer Throughput (Therms)		473,883,120		
	CECRC Charge per therm:				
(12)	To Capacity Exempt Customers	**$**	**0.0006**		(9) / (10)
(13)	To All Firm Customers	**$**	**0.0001**		(9) / (11)

Attachment DTE 3-8(c)

At 30% Factor (per DTE 3-7)

Capacity Exempt Customer Reliability Charge
Example Calculation

Row	Description		Amount		Calculation
(1)	Capacity Exempt Customer Peak Day		58,846	Dth	
(2)	Average Annual Unit Capacity Cost		131.81	per Dth	
(3)	Factor		30%		
(4)	Reliability Costs	$	2,326,947		(1) x (2) x (3)
(5)	Capacity Release / OSS Margin Revenues	$	(6,407,187)		
(6)	Total System Design Day		504,151	Dth	
(7)	Capacity Release / OSS Credit	$	(747,866)		(5) x ((1) / (6) x (3) / 30%
(8)	Prior Period Under / (Over) Recovery	$	-		
(9)	Total CECRC Allowable Costs for Period	$	1,579,082		(4) + (7) + (8)
(10)	Capacity Exempt Customer Throughput (Therms)		86,722,280		
(11)	Total Firm Customer Throughput (Therms)		473,883,120		
	CECRC Charge per therm:				
(12)	To Capacity Exempt Customers	**$**	**0.0182**		(9) / (10)
(13)	To All Firm Customers	**$**	**0.0033**		(9) / (11)